THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (BANKING, REVENUE AND INSURANCE) (SHRI KADAMBUR M.R. JANARTHANAN): (a) to (c) In the suggestions made by the various organisations of Industry including the Federation of Indian Chambers of Commerce and Industry, the problem of timely repayment of loans taken from financial institutions (FIs) for financing the ongoing projects by some cement and steel companies has been brought to the notice of the Government. Any restructuring of loans or provision of additional assistance from the financial institutions to any company as to be based purely on commercial considerations and assessment of the institutions concerned after due consideration to prudential norms on exposure and asset classification of the portfolio. Accordingly, reschedulement is considered on case to case basis on merits and FIs do not grant reschedulement of loans as a matter of course.

Recruitment Policy of Private Sector Banks

68. SHRI O.P. KOHLI: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the private banks do not have a recruitment policy in consonance with the one existing for the public sector banks and make recruitment of their staff/managerial appointments from the areas where their headquarters are located.

(b) if so, whether there is any proposal to direct such banks to have a recruitment policy on regional basis; and

(c) whether under the Bipartite Settlement staff is not to be posted beyond 80 kms. of the language area but the same is being violated with impunity by the private sector banks not having region based recruitment?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (BANKING, REVENUE AND INSURANCE) (SHRI KADAMBUR M.R. JANARTHANAN): (a) There is no uniform recruitment policy in the private sector banks and each private sector bank has its own policy.

(b) There is no proposal to direct private sector banks to have a recruitment policy on regional basis.

(c) Government has not laid down any recruitment policy for recruitment by the private sector banks. Each private sector bank has its own recruitment policy. Government does not collect any information regarding the violation, if any, of the bipartite settlement in regard to the posting of staff by the private sector banks. Violations, if any, of the provisions of the agreements entered into between the management and the union are matters that any aggrieved person may take up with the concerned forum/authority as available in the bank as also under Industrial Disputes Act.

Licences to Private Sector Banks

69. SHRI O.P. KOHLI: Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India is required to satisfy itself of the existence of a potential scope of expansion of banking activities in any area where the same is already in existence before granting any licence to a banking company;

(b) whether the RBI has granted licences to many private banks in areas where there were already branches of public sector banks after nationalisation of banks thereby prejudicially affecting the working of banking system in such areas; and

(c) if so, whether Government propose to look into this matter and check the further growth of private banks in areas covered by public sector banks?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (BANKING, REVENUE AND INSURANCE) (SHRI KADAMBUR M.R. JANARTHANAN): (a) Reserve bank of India issues licences for setting up banks in the private sector under Section 22 of the Banking Regulation Act, 1949, which *inter alia*, provides that before granting any licence under this Section, the Reserve Bank of India may require to be satisfied by an inspection of the books of the company or otherwise that having regard to the banking facilities available in the proposed pre-area of operations of the company, the potential scope for expansion of banks already in existence in the area and other relevant

factors, the grant of the licence would not be prejudicial to the operation and consolidation of the banking system consistent with monetary stability and economic growth. Based on the recommendations of the high powered committee under the chairmanship of Shri M. Narasimham (Committee on financial system) to liberalise the financial system and to the effect that the Reserve Bank of India should permit the establishment of new banks in the private sector, guidelines were issued by the Reserve Bank of India in January, 1993 for entry of new private sector banks. The guidelines envisage that the new banks:

(i) Would sub-serve the underlying objectives of financial sector reforms, i.e. of providing competitive, efficient and low cost financial intermediation services for the society at large.
(ii) Would be financially viable.
(iii) Would result in upgradation of technology in the banking sector.
(iv) Would avoid shortcomings such as unfair pre-emption and concentration of credit, monopolisation of economic power, cross holdings with industrial groups etc. which beset the private sector banks prior to nationalisation.

Similarly, with a view to providing institutional mechanism for promoting rural savings as well as for the provision of credit for viable economic activities in the local areas it has been decided to allow the establishment of local area banks in the private sector. These banks are expected to bridge the gap in credit availability and enhance the institutional credit framework in the rural and semi-urban areas. Local Area Banks are expected to cater to the credit needs of the local people and to provide efficient and competitive financial intermediation services in their area of operation.

(b) and (c) Keeping in view the guidelines dated January 22, 1993 regarding setting up of new banks in the private sector, Reserve Bank of India has granted licences to nine new banks in the private sector in 1994 and 1995 (excluding conversion of one co-operative bank into a private sector commercial bank). Having regard to the fact that the credit provided by the banks in India as a percentage to GDP is considerably lower than in most of the developed and developing countries, it is not expected that granting licences to private sector banks where branches of public sector banks exists would prejudicially affect the working of the banking system in such areas. Even after private sector banks have commenced operations the volume of banking business handled by public sector banks has increased in absolute terms. RBI has further informed that there is no proposal to check the further growth of banks in the private sector as the objective is to provide competitive and efficient financial services to the society at large.

In-prinicple approval has been granted by RBI for setting up of 8 local area banks. However, so far no licence has been granted to any Local Area Bank.

Loans for Housing to Persons Below Poverty Line in Gujarat

70. SHRIMATI URMILABEN CHIMANBHAI PATEL: Will the Minister of FINANCE be pleased to state:

(a) whether a scheme to provide loans for housing to the persons living below the poverty line has been chalked but by Government;

(b) if so, the details of such persons in Gujarat to whom the loans disbursed by the banks during the last two years; and

(c) if not, the reasons therefor and the steps taken by Government in this regared?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE BANKING, REVENUE AND INSURANCE (SHRI KADAMBUR M.R. JANARTHANAN): (a) to (c) It is envisaged in the National Agenda for Governance that there will be a substantial increase in the targets for construction of houses for the poor and deprived to the extent of 7 lakhs houses per year in the urban areas of the country. The Scheme will also cover the persons belonging to poor and deprived category. National Housing Bank have reported that the details of housing loans under priority sector viz. housing loans up to Rs. 5 lakhs disbursed by banks in Gujarat State during the years ended June, 1996 and June, 1997 as